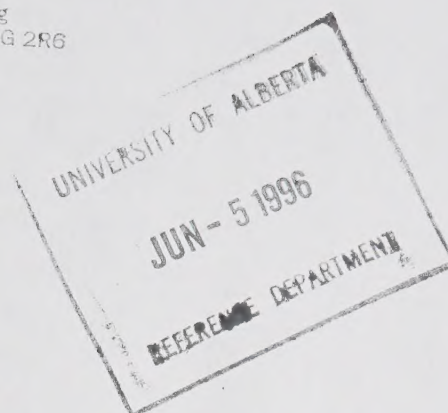


AR06

Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6



ROCKBOUND

1995 ANNUAL REPORT

ROCKBOUND RESOURCES INC.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 9:00 AM on Thursday, June 20th, 1996 at:

1413-2nd Street SW
Calgary, Alberta

Shareholders are encouraged to attend and those unable to do so should complete the form of proxy and forward it at their earliest convenience.

A MESSAGE TO OUR SHAREHOLDERS

ROCKBOUND RESOURCES INC. entered 1996 producing approximately 65 barrels of oil per day from proven reserves of 189,000 barrels and an additional 112,000 unrisks probable barrels. The oil prices received so far in 1996 are significantly better than during the same period last year resulting in improved economies thus far in 1996.

OUR STRATEGY

The Company will select opportunities which in its judgement are consistent with a prudent combination of risk and economic potential. ROCKBOUND'S activities in the future will focus on securing through acquisition and development drilling, prospects which when fully exploited will optimize our return on investment.

OPERATIONS

ROCKBOUND achieved modest growth through acquisition in 1995. We acquired a 25% interest in 320 acres of land with 2 productive Cardium oil wells in the Pembina area of Alberta which we plan to waterflood. The Company also increased its working interest in several of our operated properties at Provost, Alberta and Glen Ewen, Saskatchewan.

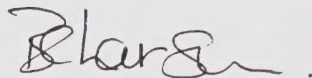
The Company sold its interest in a Viking oil property at Kindersley, Saskatchewan for cash.

To date we have not located a merger opportunity which at completion would result in a stronger combined company and enhance shareholder value.


OUTLOOK

ROCKBOUND continues to operate well within its means and sustain activities. However, we are anxious to improve our operating results.

With no debt, working capital and favorable market conditions the Company is poised for growth.



Brian C. Larsen
President and Chief Executive Officer



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ROCKBOUND RESOURCES INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995 AND 1994

1400 First Alberta Place
777-8th Avenue S.W.
Calgary, Canada T2P 3R5
Telephone: (403) 298-1500
Fax: (403) 237-0330

AUDITORS' REPORT

To the Shareholders
Rockbound Resources Inc.

We have audited the consolidated balance sheets of Rockbound Resources Inc. as at December 31, 1995 and 1994 and the consolidated statements of loss and deficit for the year ended December 31, 1995 and for the period from commencement of operations, October 17, 1994 to December 31, 1994 and the consolidated statements of cash flow for the year ended December 31, 1995 and 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1995 and 1994 and the results of its operations and cash flow for the periods then ended in accordance with generally accepted accounting principles.


CHARTERED ACCOUNTANTS

Calgary, Alberta
April 19, 1996

ROCKBOUND RESOURCES INC.
CONSOLIDATED BALANCE SHEET
DECEMBER 31

	1995	1994
Assets		
Current assets		
Cash and short-term investments	\$ 181,599	\$ 367,482
Accounts receivable	81,794	101,234
Taxes recoverable	14,790	14,790
	278,183	483,506
Capital assets (note 3)	803,689	607,600
	\$ 1,081,872	\$ 1,091,106
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 86,077	\$ 81,193
Future site restoration costs	20,360	8,360
Shareholders' Equity		
Share capital (note 4)	1,029,758	1,027,508
Deficit	(54,323)	(25,955)
	975,435	1,001,553
	\$ 1,081,872	\$ 1,091,106

Approved on behalf of the Board,

Belarson, Director

Vannoy, Director

ROCKBOUND RESOURCES INC.
CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

	Year Ended December 31, 1995	Period from Commencement of Operations, October 17, 1994 to December 31, 1994
Revenue		
Petroleum and natural gas revenues (net)	\$ 380,287	\$ 54,833
Alberta Royalty Tax Credits	3,287	1,173
Interest and other income	44,997	858
	428,571	56,864
Expenses		
Production	278,007	53,030
General and administrative	88,487	9,089
Depletion and depreciation	90,445	20,700
	456,939	82,819
Net loss	28,368	25,955
Deficit, beginning of period	25,955	-
Deficit, end of period	\$ 54,323	\$ 25,955
Net loss per share	\$ 0.00	\$ 0.01

ROCKBOUND RESOURCES INC.
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED DECEMBER 31

	1995	1994
Operating activities		
Net loss	\$ (28,368)	\$ (25,955)
Add item not affecting cash		
Depletion and depreciation	90,445	20,700
	62,077	(5,255)
Net change in non-cash working capital balances	24,324	(49,606)
Cash flow from (used in) operations	86,401	(54,861)
Investing activities		
Acquisition of subsidiary (note 2)	-	(517,394)
Acquisition of capital assets	(274,534)	(87,771)
Cash used in investing activities	(274,534)	(605,165)
Financing activities		
Issuance of share capital	2,250	1,027,000
Share capital issuance costs	-	(74,492)
Cash flow from financing activities	2,250	952,508
Net cash inflow (outflow)	(185,883)	292,482
Cash and short-term investments, beginning of year	367,482	75,000
Cash and short-term investments, end of year	\$ 181,599	\$ 367,482

ROCKBOUND RESOURCES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1995 AND 1994

1. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, Triumvirate Energy Corp.

(b) Exploration and development costs

The company follows the full cost method of accounting whereby all costs related to the exploration for and the development of oil and gas reserves are initially capitalized. Costs capitalized include land acquisition costs, geological and geophysical expenditures, costs of drilling productive and non-productive wells, together with overhead and interest directly related to exploration and development activities and lease and well equipment. Gains or losses are not recognized upon disposition of oil and natural gas properties unless such a disposition would significantly alter the rate of depletion and depreciation.

Costs capitalized are depleted and depreciated using the unit-of-production method based upon gross proven oil and gas reserves as determined by independent and company engineers. For purposes of the calculation, oil and gas reserves are converted to a common unit of measure on the basis of their relative energy content.

Costs subject to depletion under the full cost method also include estimated future site restoration costs, net of expected recoveries. This would include the costs of production equipment removal and environmental cleanup based upon regulations and economic circumstances at period end. The current period's provision for future site restoration costs is included in depletion and depreciation expense.

In applying the full cost method, the company performs a ceiling test which restricts the capitalized costs less accumulated depletion and depreciation from exceeding an amount equal to the estimated undiscounted value of future net revenues from proven oil and gas reserves, based on current prices and costs, and after deducting estimated future general and administrative expenses, estimated future removal and site restoration costs, financing costs and income taxes.

(c) Joint venture accounting

Substantially all of the exploration and production activities of the company are conducted jointly with others and accordingly these financial statements reflect only the company's proportionate interest in such activities.

(d) Depreciation

Other equipment is depreciated using the declining balance method at the rate of 20% per annum.

ROCKBOUND RESOURCES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1995 AND 1994

(e) Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act (Canada). The Act provides that, where the share issuance proceeds are used for exploration, development and land expenditures, the related income tax deductions may be renounced to subscribers. Accordingly, these expenditures provide no income tax deduction to the company.

The value assigned to the properties upon which the subscribers' funds were expended is the actual dollar amount of the expenditures with share capital being recorded based on cash received.

(f) Net loss per share

Net loss per share is calculated based on the weighted average number of common shares outstanding during the period of 6,480,634 (1994 - 4,434,813). The exercise of stock options would not be materially dilutive.

2. Acquisition

Effective October 17, 1994, the company acquired 100% of the issued and outstanding shares of Triumvirate Energy Corp. This acquisition was accounted for using the purchase method.

The purchase price was allocated as follows:

Cash and short-term investments	\$ 144,606
Note receivable	600,000
Capital assets	537,429
Accounts payable and accrued liabilities	(14,775)
Future site restoration costs	(5,260)
	<hr/>
Total purchase price	\$ 1,262,000
	<hr/>

Consideration for the purchase consisted of:

Cash	\$ 600,000
Rockbound Resources Inc. common shares (2,206,668 at \$0.30/share) [note 4(b)]	662,000
	<hr/>
Total consideration	\$ 1,262,000
	<hr/>

ROCKBOUND RESOURCES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1995 AND 1994

3. Capital assets

		Accumulated Depletion and Depreciation	Net Book Value	
	Cost		1995	1994
Petroleum and natural gas properties including exploration and development thereon	\$ 666,951	\$ 71,138	\$ 595,813	\$ 415,020
Lease and well equipment	225,698	23,290	202,408	187,895
Other equipment	7,085	1,617	5,468	4,685
	<u>\$ 899,734</u>	<u>\$ 96,045</u>	<u>\$ 803,689</u>	<u>\$ 607,600</u>

Future removal and site restoration costs are estimated in aggregate to be \$142,700 (1994 - \$110,259) of which \$12,000 was charged to income for the year ending December 31, 1995.

Included in property and equipment at December 31, 1995 are assets with a net book value of \$296,603 (1994 - \$318,817) which have no tax base.

During the year ended December 31, 1995, the company capitalized \$nil (1994 - \$42,533) in general and administrative expenses.

4. Share capital

(a) Authorized

Unlimited number of common voting shares without nominal or par value

Unlimited number of preferred shares issuable in series without nominal or par value

(b) Issued - common shares

	Number	Amount
For cash on incorporation	2,100,000	\$ 75,000
For cash pursuant to public offering	2,000,000	300,000
For shares of Triumvirate Energy Corp. [note 2]	2,206,668	662,000
For cash pursuant to flow-through share agreements [note 4(d)]	162,500	65,000
For cash on exercise of options (note 4[g])	15,000	2,250
	<u>6,484,168</u>	<u>1,104,250</u>
Share issue costs		<u>74,492</u>
		<u>\$ 1,029,758</u>

ROCKBOUND RESOURCES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1995 AND 1994

- (c) The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.
- (d) In 1994, the company issued 162,500 common shares at a price of \$0.40 per share under the terms of flow-through share subscription agreements. The company agreed to renounce to subscribers exploration and development expenditures incurred pursuant to certain provisions of the Income Tax Act (Canada). As at December 31, 1995, \$65,000 of expenditures were renounced to subscribers.
- (e) Common shares totalling 2,209,855 are held in escrow. Of this total, 1,400,001 may not be released from escrow and traded without the written consent of the Chief of Securities Administration of the Alberta Securities Commission. The remaining 809,854 will be automatically released 50% per year on October 17, 1996 and 1997.
- (f) The company has established a stock option plan for the benefit of directors, officers, employees and consultants of the company. The options were granted for an aggregate 603,000 common shares and may be exercised at prices ranging between \$0.15 to \$0.18 expiring on November 25, 1998.
- (g) The company had also granted 200,000 stock options to McDermid St. Lawrence Chisholm Ltd. to be exercised at a price of \$0.15 per share until September 15, 1995. During the year, 15,000 of these options were exercised with the balance of the options expiring.

5. Related party transactions

During the year, \$60,000 in geological consulting fees were paid to a director and officer of the company and \$29,700 of petroleum and natural gas properties, being the exchange amount, were purchased from a company controlled by a director and officer of the company.

CORPORATE INFORMATION
(ROCKBOUND RESOURCES INC.)

ROCKBOUND BOARD OF DIRECTORS

Brian C. Larsen, P. Geol., Chairman
Richard A. Kwast
David A. Neshine, C.A.
David L. Laven, Q.C.
Arthur E. Meyer, P.Eng.

CORPORATE HEADQUARTERS

1500, 630-6th Avenue SW
Calgary, Alberta
T2P 0S8

LEGAL COUNSEL

Warren Tettensor
1413-2nd Street S.W.
Calgary, Alberta
T2R 0W7

STOCK EXCHANGE LISTING

Alberta Stock Exchange(symbol:RKB)

AGENT

McDermid St. Lawrence Chisholm Ltd.
2600, 700-9th Avenue S.W.
Calgary, Alberta
T2P 3V4

